

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 08-069

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Transmission Cost Adjustment Mechanism Reconciliation

Order Following Hearing

ORDER NO. 24,869

June 27, 2008

Appearances: Gerald M Eaton, Esq., on behalf of Public Service Company of New Hampshire; Meredith A. Hatfield, Esq., Office of Consumer Advocate, on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On May 14, 2008, Public Service Company of New Hampshire (PSNH) filed a petition with supporting testimony and attachments requesting approval of the reconciliation of transmission costs from July 1, 2007 through June 30, 2008, as well as approval of an annual forecasted retail transmission revenue requirement and related costs for the period July 1, 2008 through June 30, 2009. The petition represents PSNH's reconciliation and rate filing for the transmission cost adjustment mechanism (TCAM) approved by the Commission in Order No. 24,750 (May 25, 2007). Through the TCAM, PSNH recovers regional network service (RNS) costs, local network service (LNS) costs, reliability costs and scheduling and dispatch costs, all of which are approved by the Federal Energy Regulatory Commission (FERC).

In its petition, PSNH estimated that the average TCAM rate would increase from 0.752 cents per kilowatt hour (kWh) to 0.910 cents per kWh, effective with bills rendered on and after July 1, 2008. An increase of this magnitude in the TCAM rate would increase the typical 500 kWh monthly bill of a residential customer by \$0.79. PSNH stated that it would update its filing

when regional grid operator ISO New England released the new FERC-approved rates in early June, for effect on July 1, 2008.

On May 16, 2008, the Commission issued an order of notice scheduling a hearing for June 11, 2008. On May 20, 2008, the Office of Consumer Advocate (OCA) entered an appearance on behalf of residential ratepayers pursuant to RSA 363:28.

On June 6, 2008, PSNH filed updated information and stated that the company expected that the TCAM rate would increase by 0.255 cents per kWh from 0.752 cents per kWh to 1.007 cents per kWh. PSNH based its information on the FERC RNS rates received from ISO New England, and an estimate of the LNS rates.

PSNH requested that the Commission issue an order on the proposed TCAM rate by June 24, 2008 in order to implement the new rate for bills rendered as of July 1, 2008. Having an order by such date would provide PSNH additional time for testing any rate changes which would take place concurrent with the switchover of the current customer service billing system to a new system in the first week of July 2008.

The hearing was held as scheduled. On June 16, 2008, PSNH filed an updated calculation of the RNS and LNS cost information and updated rates and charges under the TCAM. On June 18, 2008, PSNH filed a technical statement further explaining the changes to the RNS and LNS cost data as well as individual rate calculations. PSNH, OCA and Staff filed post-hearing recommendations on June 23, 2008.

II. POSITIONS OF THE PARTIES

A. Public Service Company of New Hampshire

PSNH testified that the TCAM allows it to fully recover certain FERC-approved transmission costs, and allows PSNH and other interested parties to adjust the TCAM

periodically, subject to Commission approval, based on reconciliations of historic transmission costs and forecasted future transmission costs. The company stated that the TCAM also allows it to reconcile revenues and costs by rolling any over- or under-recoveries into the subsequent billing period as part of the next TCAM rate. For this filing, the forecast period is the twelve month period from July 1, 2008 through June 30, 2009.

In testimony, PSNH explained the four categories of transmission costs in the TCAM. According to the company, RNS costs are related to the costs required to support the regional transmission infrastructure throughout New England. These costs are charged to PSNH by ISO New England based upon FERC-approved tariffs. PSNH stated that RNS costs are billed to all entities in the region that have RNS load responsibility, such as PSNH, based on their monthly peak load.

PSNH testified that LNS costs encompass the local transmission costs of its parent company, Northeast Utilities (NU), that are not included in the FERC-jurisdictional RNS tariff. PSNH explained that the LNS rates are also governed by FERC tariffs, and are based on costs allocated to PSNH based on its NU load ratio share as calculated using a rolling twelve month coincident peak.

The company stated that reliability costs, which are also billed to PSNH by ISO New England based on FERC-approved tariffs, include costs such as Black Start, VAR support, Reliability Must Run (RMR), and other uplift costs that are related to generation reliability. PSNH testified that the reliability costs are billed to all entities in the region that have RNS load responsibility, such as PSNH, based on their monthly peak load. The company noted that PSNH is not currently paying RMR costs because no generating units in New Hampshire have been designated as RMR.

PSNH said that scheduling and dispatch costs are associated with services related to scheduling, system control and dispatch services, and are also billed in accordance with a FERC tariff. The company explained that these costs are billed to all entities in the region that have RNS load responsibility, such as PSNH, based on their monthly peak load.

At hearing, the company explained that it still did not have final LNS cost information. The Commission reserved Exhibits No. 4 and 5 for the updated TCAM cost and rate calculations. In addition, the Commission directed Staff, the Office of Consumer Advocate and PSNH to meet to discuss the post-hearing filings and to report to the Commission regarding their recommendations.

B. Joint Recommendations Regarding PSNH's Post-Hearing Cost and Rate Calculations

On June 16, 2008, PSNH submitted as Exhibits No. 4 and 5 its updated TCAM cost and rate calculations. Pursuant to Commission direction, PSNH, the OCA and Staff held a telephone conference to discuss the updated filings on June 17, 2008. As a result of those discussions, PSNH, Staff and OCA filed, on June 23, 2008, a report including an analysis of the post-hearing filings and joint recommendations of PSNH and Staff. The report reflected a request that the TCAM be set at a rate of 0.935 cents per kWh. The report incorporated supplemental information filed by PSNH on June 18, 2008, explaining that the June 16 updated calculations included the latest RNS and LNS cost data. The report also indicated that PSNH attributed the increase in transmission rates to ongoing investment in regional transmission reliability projects. Finally, the report stated that the proposed adjustment in the average TCAM rate is an average increase of approximately 1.3 percent to PSNH's overall rate level. PSNH and Staff recommended that the TCAM rate of 0.935 cents per kWh and the rate calculations by class filed

by PSNH on June 16, 2008 be approved for implementation for bills rendered on and after July 1, 2008. OCA indicated that it did not object to any of the above recommendations.

III. COMMISSION ANALYSIS

We have reviewed the petition along with the supporting documentation and calculations, as subsequently updated. In addition, we have reviewed the joint recommendation of PSNH and Staff. We find that PSNH used the appropriate methods to calculate the TCAM and associated rates for transmission expenses consistent with the terms of the settlement agreement approved in Order No. 24,750. We approve PSNH's requested overall average transmission rate of 0.935 cents per kWh for bills rendered on and after July 1, 2008.

We therefore grant PSNH's petition, as supplemented and completed by the post-hearing submissions.

This is one of four orders we are issuing simultaneously in Docket Nos. DE 07-096, DE 07-097, DE 08-069 and DE 08-071 that adjust various components of PSNH's retail rates. The components concern, respectively (1) energy service, (2) the stranded cost recovery charge, (3) the transmission cost adjustment mechanism, and (4) the storm reserve fund, reflected in distribution charges. Overall, the average impact of these rate changes effective July 1, 2008 is an average increase of 6.28 percent for a PSNH customer not purchasing energy from a competitive supplier.

ORDERED, that the petition, as amended, of Public Service Company of New Hampshire implement at transmission cost adjustment mechanism rate of 0.935 cents per kWh effective for bills rendered on and after July 1, 2008 is hereby **GRANTED**; and it is

FURTHER ORDERED, that Public Service Company of New Hampshire shall make tariff filings conforming with this Order within 30 days hereof pursuant to New Hampshire Code Admin. Rules Puc 1603.05.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of June, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary